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**REPORT TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE**

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**Case Studies Of Revenue Sharing
In 26 Local Governments**

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**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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SUMMARY

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At the request of the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, GAO conducted case studies on general revenue sharing at 26 selected local governments throughout the country, including Oakland, California.

For the period January 1, 1972, through June 30, 1974, Oakland was allocated a total of \$12,322,333 in revenue sharing funds, or a per capita amount of \$34.08. Of the amount allocated, \$11,038,679 was received by June 30, 1974, and \$1,283,654 was received in July 1974. The revenue sharing funds allocated to Oakland were equivalent to about 11.2 percent of its own tax collections.

The Chairman's letter listed seven areas on which the Subcommittee wanted information. Following is a brief description of the selected information GAO obtained on each area during its review of Oakland.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Oakland expended \$11,497,693 through June 30, 1974, with \$11,370,532 designated as used for public safety activities, \$104,000 for public transportation, and \$23,161 for recreation. The city's accounting records showed that all the funds were used for operations and maintenance costs, mostly for salaries in the police and fire departments.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. An analysis of Oakland's fund balances at the end of its 1970-74 fiscal years revealed an increasing trend. However, the ending balance in the general fund declined steadily from 1970 to 1973 but increased from \$2.8 million in fiscal year 1973 to \$11.2 million in 1974. Although the city is currently in a surplus position, city officials are projecting deficits ranging from \$6.9 million for fiscal year 1977 to \$20.5 million for fiscal year 1980. The city's net general bonded debt has decreased from \$15.2 million at the end of fiscal year 1970 to \$10.3 million in 1974. This balance represents about 6 percent of the debt ceiling imposed by State law.

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income. Property taxes are a major source of city revenue. The tax rate per \$100 of assessed value has increased from \$2.83 in 1970 to \$2.96 in 1975. The current rate is 14 cents below the maximum allowed by State law, primarily because of the availability of revenue sharing funds.

The percentage of a family's income that is paid to the city of Oakland, other local governments--including county, school district, and special districts--and the State government increases as family income increases. The tax burden for a family of four increased from 11.1 percent of family income to 12.3 percent and 13.4 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively.

4. The percentage of the total local budget represented by general revenue sharing. During the 2-year period ended June 30, 1974, Oakland received revenue sharing payments totaling about \$11 million. About 1.3 percent of Oakland's 1973 budget and 14.1 percent of its 1974 budget consisted of revenue sharing funds. After including the school district's budget in these calculations, the percentages were 0.6 and 6.3 percent, respectively.

5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. In addition to revenue sharing, the city received \$10.9, \$11.3, and \$7.5 million in Federal aid during fiscal years 1972, 1973, and 1974, respectively. The city did not plan to fund programs experiencing reductions in Federal aid with either its own funds or revenue sharing funds. However, city officials reported that other Federal funds would be available to offset reductions in some programs. The city estimates that it will receive about \$22.8 million in Federal aid during fiscal year 1975, primarily from grants under the Housing and Community Development Act and the Comprehensive Employment and Training Act.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. According to the 1970 census, the civilian labor force in the city consisted of 150,987 persons, of which 41 percent were females and 40 percent were blacks and Spanish surnamed. As of June 30, 1974, the city government employed 3,609 employees, of which 20 percent

were females and 33 percent were blacks and other minorities. Certain functions and job categories had disproportionate numbers of minorities and females compared to the civilian labor force. For example, the police protection and fire protection functions had 22 and 10 percent, respectively, minority employees and 12 and 1 percent, respectively, female employees. Minorities constituted 27 percent of the officials/administrators and 65 percent of those in the service/maintenance job category. Females constituted 1 percent of those in the protective service job category and 83 percent of those in the office/clerical job category.

Since December 31, 1971, 23 complaints alleging employment discrimination were filed against city agencies. Twelve had been closed at the time of our review. None of the closed cases resulted in actions against the city. Of three civil rights suits filed against the police department, charges were dismissed in two cases, and in the third case the court issued a consent decree under which the city agreed to increase minority representation in the police department.

In fiscal year 1973 Oakland used revenue sharing funds totaling \$46,411 to fund a construction project. At the time of the award, city officials were unaware that the contract was subject to the Davis-Bacon provision of the Revenue Sharing Act. After learning about the provision, city officials transferred general funds to the revenue sharing account to replace the revenue sharing funds expended on the project. City officials stated that they would have complied with the provision originally, had they known about it before the award.

The city complied with the prevailing wage provision of the act.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. The normal budgetary process in Oakland includes holding a public hearing. In addition, to encourage public participation, the city council held two special hearings on revenue sharing in March 1973. Although representatives from public interest groups suggested various uses for revenue sharing funds at these special meetings, the city decided to use these funds to maintain existing and essential city services. No special hearings on revenue sharing were held by the city council for fiscal years 1974 and 1975.

The act places constraints on allocations to local governments. The per capita amount allocated to any county area or local government unit (other than a county government) cannot be less than 20 percent, nor more than 145 percent, of the per capita amount available for distribution to local governments throughout the State. The act also limits the allocation of each unit of local government (including county governments) to not more than 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers. Finally, a government cannot receive funds unless its allocation is at least \$200 a year.

To satisfy the minimum and maximum constraints, the Office of Revenue Sharing uses funds made available when local governments exceed the 145 percent maximum to raise the allocations of the State's localities that are below the 20 percent minimum. To the extent these two amounts (amount above 145 percent and amount needed to bring all governments up to 20 percent) are not equal, the amounts allocated to the State's remaining unconstrained governments (including county governments) are proportionally increased or decreased.

Oakland's allocation was not raised to the 20 percent minimum constraint or lowered to the 145 percent maximum constraint in any of the first four entitlement periods (January 1, 1972, through June 30, 1974), but constraints applied to other governments in the State resulted in an increase in Oakland's allocation. Our calculations showed that, if the allocation formula were applied in California without all the act's constraints, Oakland's allocation for the period January 1, 1972, through June 30, 1974, would have been \$12,194,207. However, because these constraints were applied, Oakland's final allocation totaled \$12,318,997. Initial allocations and payments to Oakland for the same period were \$12,322,333, including \$1,283,654 received in July 1974. Oakland's payment for the next period will be reduced by \$3,336, the difference between initial and final allocations.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Oakland; San Jose, whose population of 459,913 is closest to Oakland's population of 361,561; and the two largest cities in California,

Los Angeles and San Francisco, with populations of 2,811,801 and 715,674, respectively.

Revenue sharing funds received for the period January 1, 1972, through June 30, 1974			
<u>City</u>	<u>Received (note a)</u>	<u>Per capita share</u>	<u>As a percent of taxes (note b)</u>
Oakland	\$12,322,333	\$34.08	11.2
San Jose	11,356,853	24.69	11.8
Los Angeles	85,179,741	30.29	9.7
San Francisco (note c)	47,294,983	66.08	8.4

a/Includes payment received in July 1974 for quarter ended June 30, 1974.

b/Fiscal year 1971 and 1972 taxes, as defined by the Bureau of the Census, were used and adjusted to correspond to the 2-1/2-year period covered by the revenue sharing payments.

c/San Francisco is a consolidated city-county government.

For California, the 145 percent constraint for local governments for the period covered was \$73.88 per capita. The 20 percent constraint was \$10.18 per capita.

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ABBREVIATIONS

GAO	General Accounting Office
OMERS	Oakland Municipal Employees Retirement System
PERS	Public Employees Retirement System
ORS	Office of Revenue Sharing

CHAPTER 1

INTRODUCTION

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), commonly known as the Revenue Sharing Act, provides for distributing about \$30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The funds provided under the act are a new and different kind of aid because the State and local governments are given wide discretion in deciding how they use the funds. Other Federal aid to State and local governments, although substantial, has been primarily categorical aid which generally must be used for defined purposes. The Congress concluded that aid made available under the act should give recipient governments sufficient flexibility to use the funds for their most vital needs.

On July 8, 1974, the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, requested us to conduct case studies on general revenue sharing at 26 selected local governments throughout the country. The request was part of the Subcommittee's continuing evaluation of the impact of general revenue sharing on State and local governments. The Chairman requested information on

- the specific operating and capital programs funded by general revenue sharing in each jurisdiction;
- the fiscal condition of each jurisdiction;
- the impact of revenue sharing on local tax rates and tax laws, including an analysis of the tax burden on residents of each jurisdiction;
- the percentage of the total budget of each jurisdiction represented by general revenue sharing;
- the impact of Federal cutbacks in several categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks;

- the record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law; and
- public participation in the local budgetary process and the impact of revenue sharing on that process.

Oakland, California, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON OAKLAND

The city of Oakland is located on the eastern shore of San Francisco Bay. It is the fifth largest city in California, with a population of 361,561, according to the 1970 census. Although the city's population growth has stabilized during the past two decades, its racial composition has changed markedly. Oakland's white population decreased from 85.5 percent in 1950 to 59.0 percent in 1970, while its black population increased from 12.4 percent to 34.5 percent.

The city unemployment and poverty levels have been high, particularly among blacks. Oakland's unemployment rate was 11.5 percent in December 1974. In 1970 city residents had a median family income of \$9,626, as compared to \$9,590 for U.S. residents. However, the per capita personal income of \$3,651 for Oakland residents was slightly less than the national average of \$3,688. In 1969, 58,534, or 16 percent, of the city's residents were below the poverty level; of these, 31,002 were black (25 percent of the black population) and 17,726 white (10 percent of the white population).

Oakland is the principal distribution and service center for the East Bay area. The three major industries are professional and business services, trade, and manufacturing. Professional and business services employed 28 percent of the labor force in 1970, with the largest percentage employed in the education area. Other services included health, entertainment, and recreation. The trade industry, with over 4,000 retail and wholesale establishments in 1967, employed 20 percent of the labor force. The manufacturing industry employed 16 percent. Major manufacturing products

included processed food, fabricated metal, chemicals, paints, machinery and electrical equipment. Other industries included transportation and construction.

Oakland is a charter city with a council-manager form of government. As a charter city, Oakland has the power to levy taxes; provide police and fire protection; buy, use, and sell property; and make and enforce those laws within its boundaries that do not conflict with State laws. The mayor is responsible for providing leadership and taking issues to the people, developing public interest in and support for municipal activities, presiding over city council meetings, and representing the city in intergovernmental relations. The chief executive officer of the city is the city manager, who is appointed by the council.

The city council is Oakland's governing body. The council approves all ordinances, resolutions, contracts, and the city budget prepared by the city manager. The council meets twice weekly and holds special meetings upon written request of the mayor, the city manager, or three council members. All council meetings are open to the public. At regular council meetings, residents desiring to speak must notify the city clerk before the meeting. At the usually less formal special meetings, citizens wishing to address the council need only be recognized by the council chairman.

As chief executive officer, the city manager is responsible for administrative matters. His duties include enforcing all city laws and ordinances, appointing and removing department heads, advising the council on financial conditions and city needs, and preparing the annual budget. The city manager also recommends to the council measures and ordinances deemed necessary for efficient operation of the city.

The council is assisted by 14 boards, commissions, or agencies, each provided by the council with operational, advisory, appellate, or rulemaking authority. The council prescribes the number of members and their terms of office. Members are appointed by the mayor and confirmed by the council. The boards and commissions have varying degrees of authority. Some are quite autonomous and have virtually complete control over their specific activities, programs, and policies.

The most independent are the port commission, housing authority, redevelopment agency, and civil service boards.

Oakland residents receive government services primarily from the city, county, and special districts. City services include police and fire protection, library, parks and recreation, and highway and street maintenance. In fiscal year 1974 the police and fire protection functions employed 46 percent of all full-time city employees. These employees operated 27 fire stations and 1 police station. Library services included a main library and 23 branches. The city parks department operated and maintained 65 park areas encompassing more than 1,620 acres of land and water. County services include public welfare, health, hospital, judicial, and correctional.

Special district services include education, transportation, and a regional park system. Oakland's city school system comprises 67 elementary and 23 junior and high schools. Public schools are administered by the Oakland Unified School District. The school board consists of seven members, each elected by city residents for a 4-year term. Transportation includes bus service by the Alameda/Contra Costa Transit and rail service by the Bay Area Rapid Transit. Park service is provided by the regional park systems of the East Bay, which covers two counties. The park system encompasses 26,000 acres of semiwooded areas and has facilities for outdoor swimming, fishing, motorcycle and equestrian trails, overnight campgrounds, and archery and marksmanship ranges.

REVENUE SHARING ALLOCATION

Revenue sharing funds are allocated according to a formula in the Revenue Sharing Act. The amount available for distribution within a State is divided into two portions--one-third for the State government and two-thirds for all eligible local governments within the State.

The local government share is allocated first to the State's county areas (these are geographic areas, not county governments) using a formula which takes into account each county area's population, general tax effort, and relative income. Each individual county area amount is then allocated to the local governments within the county area.

CHAPTER 2
BUDGETING AND PUBLIC PARTICIPATION
IN THE BUDGETARY PROCESS

During fiscal year 1974, Oakland maintained seven types of funds--general, special revenue, debt service, capital projects, trust and agency, special assessment, and intragovernmental service.

1. The general fund is used to finance most of the city's operations and functions. About one-half of its revenues are derived from property taxes and State reimbursements for certain property tax exemptions. The fund also receives revenues from other local taxes--sales, utility user, and business license--and from other governments.

2. The special revenue funds consist of several fund accounts. The revenues are used for specific services or activities. One type of account is for city services, such as the golf courses. Recorded in these accounts are revenues from user services and expenses for the operation and maintenance of facilities. A second type of account is for Federal, State, and county grants received by the city. Separate accounts are maintained for various grants including one for revenue sharing. Another type of account is for the specific projects or services designated by the city council.

3. The debt service funds are used for accumulating assets for the retirement of serial bonds maturing during the fiscal year and to pay the semi-annual installments of interest due on general obligation bonds. Most of the revenues are derived from general property taxes.

4. The capital project funds are used to receive and disburse revenues obtained from the sale of municipal bonds authorized by voters for specific capital projects.

5. The trust and agency funds account for retirement contributions, cash deposits for various purposes, and donations, bequests, and gifts from foundations and other sources.

6. The special assessment funds were established to finance specific city improvements or services. Revenues are received from owners of private property adjoining the improvements or considered to directly benefit from such improvements.

7. The intragovernmental service funds finance services provided to other city departments. This group consists of 11 separate fund accounts, such as a reproduction fund for paying all reproduction costs, a payroll revolving fund for paying the city payroll, and an expense advancement revolving fund for making travel advances to city employees.

RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

During the 2-year period ended June 30, 1974, the city received revenue sharing payments totaling about \$11 million, \$2.3 million of which was an allocation for fiscal year 1972. For fiscal year 1973, the city budgeted about \$983,000 of the \$5.9 million it received but did not expend any of these budgeted revenue sharing funds. For fiscal year 1974, the city budgeted about \$11.7 million, most of which was expended.

The following table shows Oakland's budget for fiscal year 1972, the year prior to the receipt of revenue sharing. It also shows revenue sharing funds received and budgeted for fiscal years 1973 and 1974 and their relationship to Oakland's budgets for these years.

Oakland	Fiscal year		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
City budget (note a)	\$ 60,114,093	\$ 76,927,083	\$ 82,408,719
School dis- tricts' budget (note b)	<u>83,018,962</u>	<u>88,223,181</u>	<u>101,242,059</u>
Total	<u>\$143,133,055</u>	<u>\$165,150,264</u>	<u>\$183,650,778</u>
Revenue sharing payments received	-	\$ 5,851,469	\$ 5,187,210
Revenue sharing funds budgeted	-	\$ 982,874	\$ 11,657,545
Cumulative revenue sharing payments received but not budgeted	-	\$ 4,868,595	-
Percentage of city budget represented by revenue sharing	-	1.3	14.1
Percentage of city and school district budgets represented by revenue sharing	-	0.6	6.3

a/Excludes budgeted interfund transfers.

b/Includes school districts serving Oakland residents.
Budget was allocated based on number of Oakland stu-
dents in each school district.

School district budget data is included in the foregoing table to make the budgets comparable with those of local governments whose responsibilities include operating the local school system. Although independent school districts do not receive revenue sharing funds directly from the Federal Government, the financing of public schools is a major responsibility at the local government level and represents a significant part of the local tax burden.

The revenue sharing funds budgeted in fiscal year 1973 were allocated to the public safety, public works, and culture and recreation functions. However, in fiscal years 1974 and 1975 the budgeted revenue sharing funds were allocated to the public safety function.

The following table presents the Oakland budgets for fiscal years 1973, 1974, and 1975, broken down by function.

FUNCTIONAL BUDGETS AND
PERCENTAGE OF REVENUE SHARING

Function	FY 1973			FY 1974			FY 1975		
	Amount	Revenue sharing	Per-cent	Amount	Revenue sharing	Per-cent	Amount	Revenue sharing	Per-cent
Public safety	\$32,544,373	\$843,078	2.6	\$34,999,826	\$11,657,545	33.3	\$36,201,717	\$6,099,383	16.9
Public works	11,791,227	104,000	.9	11,435,722	-		11,370,527	-	
Culture and recreation	11,472,935	35,796	.3	10,821,019	-		11,167,493	-	
General services	5,986,378	-		6,260,688	-		6,189,507	-	
Office of finance	2,215,185	-		2,203,095	-		1,369,415	-	
General government	2,088,813	-		2,245,603	-		2,459,123	-	
Community promotion	291,363	-		352,550	-		362,350	-	
Office of budget and management service (note a)	-	-		-	-		1,152,487	-	
Nondepartmental (note b)	10,536,804	-		14,090,216	-		12,770,722	-	
Total (note c)	\$76,927,083	\$982,874	1.3	\$82,408,719	\$11,657,545	14.1	\$82,863,341	\$6,099,383	7.4

a/Operational in fiscal year 1975.

b/Includes expenditures for retirement costs, Retirement Systems Administration, and bond payments. Of the \$37 million expended during the 3 years, over \$21 million was contributions to the Police and Fire Retirement System.

c/Excludes unappropriated fund balances and interfund transfers.

PUBLIC INVOLVEMENT
IN BUDGETARY PROCESS

The city's budgetary process begins with the city manager's distribution of budget instructions to city departments. Departments submit expenditure requests to the city manager, who reviews and consolidates them into a preliminary budget for the city council. Council committees hold public work sessions on the preliminary budget to review the projected resources and expenditures. Public hearings are also held before the final budget is adopted. Council sessions are required to be public.

The city had prepared the capital budget on a yearly basis; however, beginning with fiscal year 1976, the capital budget will be prepared for a 3-year period. This long-range planning was initiated because of limited financing for capital projects. A city official indicated that the capital budget is usually financed with general funds, gasoline tax reimbursements from the State, street improvement contributions from the county, and sewer service charges levied on local residents. In fiscal year 1975 3 percent of the city's \$83 million budget was for capital improvements.

Between October 1972 and October 1973, revenue sharing was discussed in at least 23 regular council meetings. About 90 percent of the budgeted revenue sharing funds were appropriated during the annual budgetary process. The remaining funds were budgeted through supplemental budget appropriations by the city council. The reports showing planned and actual uses of revenue sharing were published by the city in a local newspaper. In addition, during the 12-month period ended November 1973, a local newspaper published at least 16 articles on the revenue sharing program.

To encourage public participation, the city council held two special public hearings on revenue sharing in March 1973. Approximately 1,500 individuals attended the first hearing, in which 30 speakers presented their views. However, only 80 individuals attended the second hearing, where 20 speakers offered their views. The speakers at these hearings represented such groups as the New Oakland Committee, the Alameda County Taxpayers Association, the Oakland Chamber of Commerce, the Oakland League of Women Voters, the Oakland Citizens Advocates Union, and the Citizens Coalition on Revenue

Sharing. Also speaking were several candidates for mayor, city council, and school board.

The public interest groups suggested many uses for revenue sharing funds. The New Oakland Committee (a charter member of the National Urban Coalition) urged that first priority be given to decreasing unemployment and underemployment, especially among low-income youth, while the Taxpayers Association and the Chamber of Commerce urged the council to give highest priority to reducing property taxes. Both the League of Women Voters and the Citizens Advocates Union suggested the council appropriate revenue sharing funds for social services and programs.

Although they acknowledged the significance of the suggestions by public interest groups, city officials believed it was more important to use the funds for continuing the existing essential city services. However, city officials believed that the revenue sharing meetings were beneficial because they afforded the council an opportunity to make the public more aware of the city's impending financial crisis. Special hearings on the uses of revenue sharing funds were not held for fiscal years 1974 and 1975, primarily because of the need to use these funds to maintain the current level of city services.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Oakland was allocated \$12,322,333 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$11,038,679 was received by June 30, 1974, and \$1,283,654 was received in July 1974. Interest earned on the funds as of June 30, 1974, totaled \$501,086. Of the funds allocated for the period ended June 30, 1974, and the interest earned thereon, the city had expended \$11,497,693. The remaining \$1,325,726 had not been obligated.

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Oakland's financial records. As we have pointed out in earlier reports on the revenue sharing program ("Revenue Sharing: Its Use by and Impact on State Governments," B-146285, Aug. 2, 1973, and "Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974), fund "uses" reflected by the financial records of a recipient government are accounting designations of uses. Such designations may have little or no relation to the actual impact of revenue sharing on the recipient government.

For example, in its accounting records, a government might designate its revenue sharing funds for use in financing environmental protection activities. The actual impact of revenue sharing on the government, however, might be to reduce the amount of local funds which would otherwise be used for environmental protection thereby permitting the "freed" local funds to be used to reduce tax rates, to increase expenditures in other program areas, to avoid a tax increase or postpone borrowing, to increase yearend fund balances, and so forth.

Throughout this case study, when we describe the purposes for which revenue sharing funds were used, we are referring to use designations as reflected by city financial records.

Functional uses

As of June 30, 1974, all revenue sharing funds Oakland had expended were for operations and maintenance. The following table summarizes these expenditures by functional areas.

<u>Function</u>	<u>Amount</u>	<u>Percent</u>
Public safety	\$11,370,532	98.9
Public transportation	104,000	.9
Recreation	<u>23,161</u>	<u>.2</u>
Total	<u>\$11,497,693</u>	<u>100.0</u>

According to a city official, Oakland expended most of the revenue sharing funds for public safety because it is the largest city function, comprising over 50 percent of total city expenditures.

Specific uses

As shown below, revenue sharing funds were used mostly for paying salaries and other personal services.

<u>Purpose</u>	<u>Amount</u>
Salaries and other personal services	\$11,328,261
Miscellaneous equipment	100,854
Police and fire retirement	60,108
Maintenance	<u>8,470</u>
Total	<u>\$11,497,693</u>

The following schedule shows revenue sharing expenditures by city department and purpose.

<u>Department and purpose</u>	<u>Amount</u>	<u>Total</u>
Police:		
Salaries	\$ 6,010,851	
Miscellaneous equipment	<u>98,402</u>	\$ 6,109,253
Fire:		
Salaries	5,000,000	
Other personal services	199,706	
Miscellaneous equipment	<u>1,465</u>	5,201,171
Parks:		
Salaries	13,704	
Maintenance	8,470	
Miscellaneous equipment	<u>987</u>	23,161
Street and engineering:		
Salaries	<u>104,000</u>	104,000
Police and fire retirement systems	<u>60,108</u>	<u>60,108</u>
Total		<u>\$11,497,693</u>

Plans for unobligated funds

The unobligated revenue sharing funds available as of June 30, 1974, were budgeted together with the entitlement for fiscal year 1975 to help pay personal service expenses for the fire department.

ACCOUNTING FOR REVENUE SHARING FUNDS

City officials indicated that the following procedures are followed in accounting for revenue sharing funds:

- The city maintains a separate account for revenue sharing funds.
- Revenue sharing funds are commingled with other city revenues and deposited in a local commercial bank.
- Expenses to be paid with revenue sharing funds are initially paid from the general fund or from the payroll or general revolving funds

(two of the intragovernmental service fund accounts). These funds are subsequently reimbursed with funds transferred from the revenue sharing account.

--All revenue sharing transactions by each department are recorded and explained by journal vouchers.

Revenue sharing funds are combined with other city revenues in a pooled investment program, and interest earned is prorated among each fund account. Under this program, funds are invested by the city's department of finance in Federal obligations, certificates of deposit, and repurchase agreements.

AUDITS OF REVENUE SHARING

The Oakland city charter requires an annual financial audit. The audits for fiscal years 1973 and 1974, performed by a firm of certified public accountants, included an examination of financial statements of the revenue sharing account prepared by the city. The auditors found that these statements fairly presented the fund's financial position. Matters of compliance were not a part of these audits.

Auditors from the Office of Revenue Sharing (ORS) examined the city's revenue sharing funds for the period December 11, 1972, to August 1, 1974. The report was issued August 23, 1974. The scope of the audit included an examination of financial statements and of data submitted to the Bureau of the Census. In addition, the auditors made a study of compliance matters as prescribed in the "Audit Guide and Standards for Revenue Sharing Recipients" issued by ORS.

The compliance review was made in response to a complaint by the Legal Aid Society of Alameda County. The complaint alleged that revenue sharing funds were used in the city fire department, where hiring practices were based on arbitrary and discriminatory policies. The report states that the pertinent facts ascertained during this review were turned over to the ORS civil rights officer for further review. As of June 30, 1975, ORS had not issued a final letter of determination regarding this complaint.

CHAPTER 4

COMPLIANCE PROVISIONS OF THE REVENUE SHARING ACT

The act provides that, among other requirements, each recipient shall

- create a trust fund in which funds received and interest earned will be deposited. Funds will be spent in accordance with laws and procedures applicable to expenditure of the recipient's own revenues;
- use fiscal, accounting, and audit procedures which conform to guidelines established by the Secretary of the Treasury;
- not use funds in ways which discriminate because of race, color, national origin, or sex;
- under certain circumstances, not use funds either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution;
- observe requirements of the Davis-Bacon provision on certain construction projects in which the costs are paid out of the revenue sharing trust fund;
- under certain circumstances, pay employees who are paid out of the trust fund not less than prevailing rates of pay; and
- periodically report to the Secretary of the Treasury on how it used its revenue sharing funds and how it plans to use future funds. The reports shall also be published in the newspaper and the recipient shall advise the news media of the publication of such reports.

Further, local governments may spend funds only within a specified list of priority areas.

For purposes of this review, we gathered selected information relating to the nondiscrimination, Davis-Bacon, and prevailing wage provisions.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with general revenue sharing funds.

In April 1969 Oakland's city council adopted an affirmative action policy with the stated purpose of providing employment opportunities for minorities in city positions and to encourage minority employment in local businesses. Some of the policy provisions were

- employment and promotion of minorities,
- recruitment through community organizations,
- commitment of city positions for employment of young people, and
- publicizing city job opportunities with agencies in the minority community.

Also, the city was to review and revise hiring procedures, entry level jobs and qualification requirements, and advancement and promotion procedures.

Two years later, in 1971, the city council reaffirmed the affirmative action policy and resolved that the city employ a work force reflecting the city's racial composition. The goal was to achieve a reasonable racial and ethnic ratio balance in all city departments and job classifications by July 1974.

In January 1974 the police department issued an affirmative action program with the purpose of insuring that minority persons and women are provided full and equal employment opportunities. This plan established yearly hiring goals in order to achieve, by January 1981, the ethnic parity requirements set forth in a consent decree issued in December 1973 by the U.S. District Court. At the same time, the

fire department issued its own affirmative action program designed to eliminate any disparity between the minority composition in the department work force and that of the city population. This plan established a timetable with the aim of increasing the minority work force in the department from 9 percent in 1974 to about 25 percent in 1979.

California has created a State Commission on Fair Employment Practices designed to prevent and eliminate discrimination in employment and otherwise against persons because of race, religious creed, color, national origin, ancestry, or sex. The commission consists of seven members appointed by the Governor with the advice and consent of the State Senate.

The commission investigates complaints of discriminatory employment practices. If it finds any discriminatory employment practice, it requires the respondents to cease and desist from such practice and to take action, including hiring, reinstating, or upgrading employees, with or without backpay, or restoration to membership in any respondent labor organization, as, in the judgment of the commission, will effectuate the purposes of the State's Fair Employment Practices Act. The respondent is further required to report the manner of compliance. Final orders or decisions of the commission are subject to judicial review. Whenever the commission believes, on the basis of evidence, that anyone is violating or is about to violate any final order or decision issued by it, the commission may bring an action in superior court against such person to enjoin him from continuing the violation.

Comparison of local government work force and civilian labor force

The following table compares the city government work force of 3,609 persons employed as of June 30, 1974, to the city civilian labor force in 1970.

Comparison of City Government Work Force with
Civilian Labor Force

	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Per-</u> <u>cent</u>	<u>Number</u>	<u>Per-</u> <u>cent</u>	<u>Number</u>	<u>Per-</u> <u>cent</u>
Civilian work force:						
Total	<u>88,336</u>	<u>59</u>	<u>62,651</u>	<u>41</u>	<u>150,987</u>	<u>100</u>
Black	26,179	18	20,053	13	46,232	31
Spanish surname	8,601	6	4,656	3	13,257	9
City government work force:						
White	2,028	56	376	11	2,404	67
Black	627	17	227	6	854	23
Spanish surname	120	3	37	1	157	4
Other	<u>127</u>	<u>4</u>	<u>67</u>	<u>2</u>	<u>194</u>	<u>6</u>
Total	<u>2,902</u>	<u>80</u>	<u>707</u>	<u>20</u>	<u>3,609</u>	<u>100</u>

A breakdown of the city government work force by department and by job category is shown in appendix I. A similar breakdown for the new hires during the 12-month period ended June 30, 1974, is shown in appendix II.

Within some city departments and job categories, a significant variance existed in white/minority ratios. For example, 695, or 78 percent, of the police department's 885 employees were white. Ninety percent of the fire department's work force was white. By types of jobs, minorities occupied 65 percent of the service/maintenance positions, whereas whites held 63 percent of the professional positions.

Similar variances also existed in male/female ratios. For example, only 14 females were employed in 1,238 protective service positions--eight in corrections, five in the police department, and one in natural resources (parks department). Conversely, females held 430, or 83 percent, of the 519 office/clerical positions. By department, males comprised 99 percent of the fire department, 88 percent of the police department, and 86 percent of the streets and highways (public works) department.

City officials attributed police department ratio variances to the reluctance of minorities to accept police employment, particularly in urban cities such as Oakland. The fire department work force has always tended to be white and male. However, city officials indicated the city is totally committed to equal employment opportunities for minorities and females. They expect the police and fire departments' affirmative action programs to improve white/minority and male/female ratios.

During the 12-month period ended June 30, 1974, the percentage of minorities and females hired exceeded their percentage of the total city government work force. During that period, Oakland hired 307 full-time individuals of which 58 percent (178) were minorities. The male/female ratio was 65/35 percent; however, 52 of 107 females were hired for office/clerical positions. Sixty-two of the minorities hired were for police protection and 5 were for fire protection.

Since December 31, 1971, Oakland has been involved in 23 discrimination complaints and 3 civil rights suits. Eight discrimination complaints were filed with the State Fair Employment Practices Commission, 12 with the U.S. Equal Employment Opportunity Commission, 2 with the Department of Justice, and 1 with the Department of the Treasury, ORS. All three civil rights suits were filed against the police department.

As of November 1974, five of the eight complaints filed with the State Fair Employment Practices Commission had been closed. In three cases the commission ruled in favor of the city, in one case it found insufficient evidence to sustain the complaint, and one case was closed because of the complainant's failure to proceed.

As of October 1974, 7 of the 12 complaints filed with the Equal Employment Opportunity Commission had been closed. In four of the closed cases the complainants could not be located at the time of the investigation, in two cases the Commission lacked jurisdiction, and in one case the complaint was withdrawn because the complainant filed a law suit.

The two complaints filed with the Department of Justice alleged discriminatory practices in the police department. One complaint was filed by Public

Advocates, Inc., a public interest law firm representing seven black, Latin American, and women's organizations. This complaint charged that the police departments in 19 California cities, including Oakland, discriminated against women and minorities in their hiring and promotional policies. An attorney for the complainants stated that the Fair Employment Practice Commission investigated the case for the Justice Department and sustained the charges. He indicated that the commission's report was forwarded to the Justice Department for further action. The other complaint filed with the Justice Department alleged that the psychiatric examination administered by the city was discriminatory. An attorney for the complainants stated that the complaint was being investigated.

The Legal Aid Society of Alameda County filed a complaint with ORS charging the fire department with discriminatory hiring and termination practices. Although ORS auditors completed a compliance review, no recommendations were made. The facts were forwarded to the ORS civil rights officer for further review. As of June 30, 1975, ORS had not issued a final letter of determination to the city.

The courts have adjudicated three suits brought against the city's police department regarding employment discrimination. As a result of one of these suits, the U.S. District Court for the northern district of California on December 20, 1973, issued a decree, with the consent and agreement of all parties, ordering the department to establish hiring goals and to follow certain hiring procedures to insure that minority persons will be provided full and equal employment opportunities.

The court ordered that (1) the department use minority persons on the eligibility list to fill vacancies created within the same year period because of termination of employment of minority persons and (2) the percentage of minorities among the other hires each year shall at least equal the current percentage of minority persons in the city population. The court also ordered the city to continue its efforts to develop or obtain a demonstrably job-related written test for selecting police officers. Further, the police department was not to remove from consideration any applicant solely on the basis of his arrest record. The police department has taken steps to comply with the court order.

In a suit charging that the requirements for patrolmen discriminated against women, the District Court ruled on May 5, 1972, that these requirements were reasonable and directly related to the duties of the position.

In another suit filed by a female charging that the height and weight requirements for police sergeants were discriminatory, the District Court ruled on August 2, 1973, that these requirements were reasonable. This decision was being appealed. However, the city has since eliminated these allegedly discriminatory height and weight requirements.

We discussed the city's employment practices with two local public interest organizations, the Legal Aid Society of Alameda County and Public Advocates, Inc.

A Legal Aid Society official stated that women and minorities have been excluded from Oakland fire-fighting positions strictly because of tradition. The affirmative action programs adopted for the police and fire departments do not contain hiring goals for women, and the goal for minority employment in the Oakland fire department was only 25 percent by 1979. He estimated that only 15 percent of the minorities employed by the fire department have been promoted beyond the entry level hoseman position, compared to 40 percent for all firemen in Oakland.

An official for Public Advocates, Inc., stated that, although minority employment in the Oakland police department has increased, a disproportionate number of those hired have been terminated during or after training. He said also that Oakland has established a yearly hiring rate for minorities of at least 51 percent in order to achieve, by 1981, employment parity with the city's population. However, this goal cannot be reached unless minorities are retained.

Services and capital projects

We did not find any instances where city departments receiving revenue sharing funds were providing services in a manner that obviously had the effect of discriminating against any group of service recipients.

DAVIS-BACON PROVISION

The Revenue Sharing Act provides that all laborers and mechanics, employed by contractors and subcontractors to work on any construction project of which 25 percent or more of the cost is paid out of the revenue sharing trust fund, shall be paid wage rates which are not less than rates prevailing for similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

ORS regulations implementing this provision require that contracts exceeding \$2,000 shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics as determined by the Secretary of Labor. Further, the contract shall stipulate that the contractor shall pay wage rates not less than those stated in the specifications, regardless of any contractual relationships alleged to exist between the contractor and such laborers and mechanics. A further contract stipulation is that there may be withheld from the contractor so much of accrued payments as considered necessary by the contracting officer to pay to laborers and employees the difference between wage rates required by the contract and rates actually received.

In fiscal year 1973 the city used \$46,411 in revenue sharing funds to pay the total cost of a contract awarded to construct a pipe conduit. However, after city officials determined that the contract was not in compliance with the Davis-Bacon provision of the Revenue Sharing Act, they replaced the expended revenue sharing funds with funds from the general fund.

A city official stated the contract was awarded before the city learned the project was subject to the Davis-Bacon provision. Since the contract was already awarded, the project cost was considered too small to justify the amount of paperwork necessary to comply with the act's provision. However, city officials indicated they would have complied with the provision had the requirement been known before the award.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part out of the revenue sharing trust fund shall

be paid at rates which are no lower than the prevailing rates for persons employed in similar public occupations by the recipient government. The individuals covered by this provision are those in any category where 25 percent or more of the wages of all employees in the category are paid from the trust fund.

In fiscal year 1974 revenue sharing funds were used to pay the salaries of police department personnel for the first 7 months and the salaries of fire department personnel for the first 6 months. We were informed that wage rates were determined by the city for all employees and were applied equally to all employees in each job category, including those paid with revenue sharing funds.

CHAPTER 5
FINANCIAL STATUS

TREND OF FUND BALANCES

The following schedule shows the cumulative surplus or deficit ending-fund balance for each of the city's major funds.

Fund (note a)	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
General	\$ 7,725,498	\$ 4,824,400	\$ 3,809,000	\$ 2,849,700	\$11,202,100
Special					
revenue	5,941,179	5,898,000	7,703,000	13,139,900	8,133,300
Special					
assess- ment	-	-2,300	133,000	107,200	102,500
Capital					
projects	88,150	52,400	50,000	21,500	21,500
Debt service	<u>106,113</u>	<u>54,900</u>	<u>77,000</u>	<u>69,200</u>	<u>45,300</u>
Total fund balance	<u>\$13,860,940</u>	<u>\$10,827,400</u>	<u>\$11,772,000</u>	<u>\$16,187,500</u>	<u>\$19,504,700</u>

a/Excludes intragovernmental service funds, which are used for interfund transfers and trust and agency funds.

City officials attributed the increase in the general fund balance between fiscal years 1973 and 1974 to an increase in revenues and a decrease in expenditures. The city council had approved reductions in some programs in order to reduce expenditures and increase the balance in the general fund to provide for projected budget deficits. Although the city is currently in a surplus position, city officials estimate a deficit ranging from \$6.9 million in fiscal year 1977 to \$20.5 million in fiscal year 1980.

Oakland employees participate in the following retirement plans: the Oakland Municipal Employees Retirement System (OMERS), Public Employees Retirement System (PERS), and Police and Fire Retirement System (P&FRS). The members of the OMERS and PERS plans are nonuniformed employees; the members of the P&FRS plan are uniformed employees. California administers the PERS plan and Oakland administers the OMERS and P&FRS plans.

Following are the ending balances for the two pension plans administered by the city for fiscal years 1970-74.

Fund	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
OMERS	\$45,504,426	\$50,186,400	\$54,957,000	\$55,861,100	\$28,336,200
P&FRS	25,998,600	28,637,600	31,353,000	35,966,100	40,299,700

Since fiscal year 1971, over 1,500 employees transferred from the OMERS plan to the PERS plan. During fiscal years 1973 and 1974, Oakland paid to the PERS plan approximately \$24 million in past contributions for the employees who transferred from the OMERS plan. To pay part of the cost, the city issued \$16.5 million in revenue bonds, pledging \$21.5 million of OMERS investments as collateral. The remaining obligation was paid with city funds. An actuarial valuation indicated that the city had an unfunded liability of \$19.3 million for the employees who transferred to the PERS plan. The city's retirement contribution rate was increased from 11.924 percent to 12.632 percent in order to liquidate this liability over a period of 25 years.

The last actuarial valuation of the OMERS plan was performed in June 1969. At that time, the unfunded liability was \$5,525,000. The director of the city's retirement systems stated that the liability had increased significantly since 1969. On the basis of a valuation being completed in fiscal year 1975, he believes that the city will be required to increase its contribution rate in order to reduce the liability.

For those members who joined after that date, the city contributes to the P&FRS plan at a rate of 17.59 percent of the payroll. The last actuarial valuation of this plan, in June 1970, indicated an unfunded liability of \$82.5 million. On the basis of an actuarial study in progress, the director of the city's retirement systems estimated that this liability had increased to about \$150,000,000. He expects the city's contribution for fiscal year 1976 will be approximately 24 percent of employees' salaries.

INDEBTEDNESS

The following schedule summarizes the outstanding debt of the city, including both general obligation and revenue bonds, for fiscal years 1970-74. The general obligation bonds represent a general liability of the city. Revenue bonds are not secured by either city property or tax revenues, but must be repaid from the revenues generated by the facility being financed.

	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
General bonded debt:					
1945 municipal improvements	\$ 5,629,000	\$ 5,224,000	\$ 4,819,000	\$ 4,414,000	\$ 4,009,000
1955 airport improvements	3,800,000	3,330,000	2,860,000	2,390,000	1,920,000
1959 municipal improvements	1,740,000	1,620,000	1,500,000	1,375,000	1,250,000
1961 museum bonds	<u>4,080,000</u>	<u>3,840,000</u>	<u>3,600,000</u>	<u>3,360,000</u>	<u>3,120,000</u>
Total	<u>15,249,000</u>	<u>14,014,000</u>	<u>12,779,000</u>	<u>11,529,000</u>	<u>10,299,000</u>
Revenue bonds:					
1964 off-street parking	3,385,000	3,225,000	3,065,000	2,905,000	2,745,000
1974 Oakland pension fund	-	-	-	-	16,500,000
Total	<u>3,385,000</u>	<u>3,225,000</u>	<u>3,065,000</u>	<u>2,905,000</u>	<u>19,245,000</u>
Total bonded debt	<u>\$18,634,000</u>	<u>\$17,239,000</u>	<u>\$15,844,000</u>	<u>\$14,444,000</u>	<u>\$29,544,000</u>

Borrowing procedures

Once local authorities (city council, board of education, school district) decide to issue bonds, the proposed bond issue is submitted to local voters for approval. A majority of voting residents must approve general obligation bonds for the purpose of repairing, reconstructing, or replacing public school buildings; bond issues for other purposes must be approved by two-thirds of the voting residents.

Since 1964, bonds issued by Oakland have been rated "Aa" by Moody's Investor's Service Inc. Bonds with "Aa" and "Aaa" ratings comprise what is generally known as high-grade bonds. Oakland has not encountered

any problems in attempting bond sales, and no proposed bond issues have been rejected by the voters. The city has not issued general obligation bonds in the last 7 years.

Borrowing restrictions

California cities are prohibited by State law from incurring general obligation indebtedness in excess of 15 percent of the assessed valuation of real property. The assessed valuation of Oakland property for fiscal year 1974 was \$1,138,052,765, restricting indebtedness to \$170,707,915. The general obligation indebtedness as of June 30, 1974, was \$10,299,000, or about 6 percent of the debt ceiling. A city official stated that funds obtained through the issuance of bonds must be used only for the purpose approved by local residents.

TAXATION

Major taxes levied

Oakland levies six major taxes: real property, sales, utility consumption, transient occupancy, bedroom, and business license. In addition, the city receives revenues from such sources as building and construction permits, traffic fines, and parking meters.

Real property taxes are imposed by the city, county, special districts and the school districts. The aggregate average tax rate increased from \$11.806 per \$100 of assessed valuation in fiscal year 1970 to \$14.655 in fiscal year 1975. The property tax rate per \$100 of assessed valuation imposed by the city has changed as follows between fiscal years 1970-75.

<u>Fiscal year</u>	<u>Rate</u>
1970	\$2.830
1971	2.800
1972	2.800
1973	2.910
1974	2.964
1975	2.960

Real property tax is collected by Alameda County, which is also responsible for assessing city property. Real

property is reported to be assessed at 25 percent of fair market value. For homeowners, the assessed value is reduced by a \$1,750 exemption.

The sales tax is collected and administered by the State Board of Equalization. The total current rate is 6.5 percent on each dollar of taxable retail sales, which includes the city's rate of 0.95 percent.

The utility consumption tax is collected by each utility company by adding the tax to the regular billing. Monthly payments are made to the city. In fiscal year 1974 the rate was 5 percent for gas, electricity, and telephone services. The rate increased to 5.5 percent in fiscal year 1974.

The transient occupancy tax is collected by hotel and motel operators. In fiscal year 1973 the tax rate was 5 percent of the room occupancy rate charged individual customers. Operators make quarterly payments to the city. The rate was increased to 6 percent in fiscal year 1974.

The bedroom tax became effective in fiscal year 1973. The tax is \$100 for each new bedroom constructed in Oakland, with the first bedroom being exempt.

The business license tax is imposed for the privilege of doing business in Oakland. Depending on the type of business, the tax collected may be based on annual gross receipts, on the average number of employees, or in the form of a flat fee.

The following schedule shows that tax receipts for the city increased between fiscal years 1970 and 1974.

<u>Tax</u>	<u>Fiscal year</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Property	\$25,648,777	\$25,340,116	\$25,908,750	\$27,885,121	\$28,587,000
Sales	9,854,896	9,475,867	10,079,403	10,623,129	11,588,693
Utility	3,479,045	3,780,098	4,073,827	4,436,302	4,986,933
Transient	379,046	410,313	447,499	490,260	574,800
Bedroom	-	-	-	132,800	190,400
Business license	964,604	991,212	986,935	1,433,957	1,424,503
Other	<u>1,720,312</u>	<u>2,006,741</u>	<u>2,138,224</u>	<u>2,252,904</u>	<u>1,292,271</u>
Total	<u>\$42,046,680</u>	<u>\$41,954,347</u>	<u>\$43,634,638</u>	<u>\$47,254,473</u>	<u>\$48,644,600</u>

Taxing limitations

The California "Property Tax Relief Act of 1972" limits increases in the property tax levy. Without voter approval, the tax levy can increase over the previous year in the same percentage as the combined percentage increase in the population and the California Consumer Price Index. An additional rate may be levied to finance programs mandated by the Federal Government or the courts for which funds are not provided and also to pay bonded indebtedness and interest and retirement and pension benefits. We were informed that the rate of \$2.96 for fiscal year 1975 is 14 cents below the maximum allowed by law, primarily because of the receipt of revenue sharing funds.

City officials are projecting a budget deficit ranging from \$6.9 million in fiscal year 1977 to \$20.5 million in fiscal year 1980. We were informed that expenditures for essential services are expected to increase faster than revenues, primarily because of inflation. The budget for fiscal year 1975 projected a net reduction of 120 staff-years in city employment. The city expects to accomplish this reduction by not filling positions vacant due to retirements. In an effort to increase city revenues, the city council approved an employee license tax, effective July 1, 1976. Individuals employed in Oakland will be taxed at the rate of 1 percent of gross income above \$6,500. The constitutionality of this tax is being considered by the district court.

Family tax burden

The following table shows three hypothetical situations used in determining the tax burden on a family of four living in the city in 1973. Under each situation, we assumed that the family consists of a husband, wife, and two minor children. Their annual income consists only of wages, with no investment or interest income and no capital gains. The family has no assets other than their house, personal property, and one car for families A and B and two cars for family C.

<u>Assumptions</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Annual income	\$ 7,500	\$12,500	\$17,500
House value (new home)	18,750	31,250	43,750
Personal property value (furniture)	1,500	2,500	3,500
Market value of car	1,700	1,800	2,300
Annual gasoline consumption (gallons)	1,000	1,000	1,500

Following is the tax burden on a family of four living in the city in 1973, based on the above assumptions.

<u>Tax</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
City:			
Real property	\$ 87	\$ 179	\$ 272
Bedroom	200	300	400
Sales	<u>19</u>	<u>27</u>	<u>35</u>
Total	<u>306</u>	<u>506</u>	<u>707</u>
County:			
Real property	89	184	278
Sales	<u>6</u>	<u>9</u>	<u>11</u>
Total	<u>95</u>	<u>193</u>	<u>289</u>
Special districts:			
Real property:			
Education	202	417	632
Alameda/Contra Costa			
Counties transit			
service, district			
one	16	33	50
Bay Area Rapid Transit	16	33	50
Flood zone 12	7	15	22
East Bay Municipal			
Utility District			
(water)	4	9	14
East Bay Municipal			
Utility District			
(sanitation)	2	4	6
East Bay Regional Park	6	12	19
Other	2	3	3
Sales:			
Bay Area Rapid Transit	<u>12</u>	<u>17</u>	<u>22</u>
Total	<u>267</u>	<u>543</u>	<u>818</u>
State:			
Income	-	94	258
Sales	93	134	171
Gasoline	<u>70</u>	<u>70</u>	<u>105</u>
Total	<u>163</u>	<u>298</u>	<u>534</u>
Total	<u>\$831</u>	<u>\$1,540</u>	<u>\$2,348</u>
Total as percentage of			
income	<u>11.1</u>	<u>12.3</u>	<u>13.4</u>

Besides these major taxes, Oakland residents paid other taxes, such as a cigarette tax of 10 cents per package levied by the State, with 30 percent of the proceeds divided between cities and counties, and a real estate transfer tax of one-half of 1 percent on the selling price of the property. (This tax was discontinued in fiscal year 1974.)

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

The city's public grants office processes the applications and payments of most of the Federal categorical grants received by Oakland. This office gave us a list of the types and amounts of direct Federal aid received in fiscal years 1972-74. The list did not include Federal aid paid directly to some city departments.

In fiscal years 1972, 1973, and 1974, the city received \$10.9, \$11.3, and \$7.5 million, respectively, in Federal aid in addition to its Federal revenue sharing moneys. However, city officials expected that in fiscal year 1975 Federal aid would total about \$22.8 million.

The following schedule shows, by program, the Federal funds which the city received in fiscal years 1972-74, and the amount it expects to receive in fiscal year 1975.

Grantor/program	Amount received			Amount estimated
	FY 1972	FY 1973	FY 1974	FY 1975
Department of Housing and Urban Development:				
Model Cities	\$ 4,944,000	\$ 4,944,000	\$3,036,000	\$ 636,200
Relocation	-	501,000	-	-
City Demonstration Agency	-	-	-	2,556,200
Housing and Community Development Act of 1974	-	-	-	12,600,000
Total	<u>4,944,000</u>	<u>5,445,000</u>	<u>3,036,000</u>	<u>15,792,400</u>
Office of Economic Opportunity:				
Community Action Program	<u>1,307,332</u>	<u>1,406,361</u>	<u>400,535</u>	<u>582,776</u>
Total	<u>1,307,332</u>	<u>1,406,361</u>	<u>400,535</u>	<u>582,776</u>
Department of Health, Education, and Welfare:				
Parent-Child Center	185,000			
Headstart	<u>264,740</u>	<u>352,101</u>	<u>334,737</u>	<u>334,737</u>
Total	<u>449,740</u>	<u>352,101</u>	<u>334,737</u>	<u>334,737</u>
Department of Labor:				
Concentrated employment program	1,206,746	1,462,867	1,255,645	-
Emergency Employment Act	2,478,200	1,489,296	1,835,100	1,213,800
Manpower Area Planning Council	180,500	60,625	95,200	63,995
Neighborhood Youth Corps	374,800	1,060,655	509,717	-
Comprehensive Employment and Training Act	-	-	-	4,861,097
Total	<u>4,240,246</u>	<u>4,073,443</u>	<u>3,695,662</u>	<u>6,138,892</u>
Total	<u>\$10,941,318</u>	<u>\$11,276,905</u>	<u>\$7,466,934</u>	<u>\$22,848,805</u>

REDUCTIONS IN FEDERAL AID
AND IMPACT ON RECIPIENT

Federal aid to Oakland decreased by about \$4 million during fiscal year 1974. The largest cutback was \$1.9 million in the Model Cities program. A Model Cities official said the reduction would have a significant impact on the program and 15 of the current 27 projects would be terminated. The second largest cutback was \$1 million in the Office of Equal Opportunity's community action program. City officials indicated that the dismantling of the Office of Equal Opportunity reduced Federal aid for community action programs. They attributed an overall decrease in Federal funds to the deemphasis of social programs and categorical grants and increased emphasis on special and general revenue sharing.

Although the city manager submitted 11 proposals to the city council for using revenue sharing or other city funds to replace cutbacks in Federal grants, revenue sharing funds were used to maintain the basic city services because of the expected budget deficit. Some programs receiving separate grants before fiscal year 1975 will be funded under the Comprehensive Employment and Training Act in fiscal year 1975, (e.g., Neighborhood Youth Corps and comprehensive employment program). We were informed that reductions in Federal aid, however, would terminate many programs at the end of their contract period.

CHAPTER 7

SCOPE OF REVIEW

We reviewed the city budgets and financial reports for fiscal years 1970-74 to determine the impact of revenue sharing on the city's financial condition. We analyzed the programs designated as being funded by revenue sharing as well as the city's tax structure, sources of revenues, year-end fund balances, and outstanding bonded debt. We determined the extent of cutbacks in Federal categorical aid and discussed with city officials the effects of such cutbacks.

We visited the regional office of the Equal Employment Opportunity Commission and the State Fair Employment Practices Commission to obtain information on civil rights complaints filed against city departments. We discussed with representatives of local civil rights and public interest groups their views regarding any discriminatory practices by the city and the extent of public participation in the local budgetary process. We examined the efforts made by the city to publicize the revenue sharing program and obtain public participation in decisions on how to use revenue sharing funds. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

Officials of Oakland reviewed our case study, and we considered their comments in finalizing it.

CITY GOVERNMENT WORK FORCE

OAKLAND, CALIFORNIA

JUNE 30, 1974

Function/ job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials/administrators	169	35	10	214	6	7	2	15	175	42	12	229
Professionals	179	40	40	259	66	47	16	129	245	87	56	388
Technicians	212	12	30	254	20	14	8	42	232	26	38	296
Protective service	1,019	148	57	1,224	5	9	-	14	1,024	157	57	1,238
Paraprofessionals	23	7	3	33	28	9	7	44	51	16	10	77
Office/clerical	57	14	18	89	240	120	70	430	297	134	88	519
Skilled craft	143	26	18	187	1	-	-	1	144	26	18	188
Service/maintenance	226	345	71	642	10	21	1	32	236	366	72	674
Total	2,028	627	247	2,902	376	227	104	707	2,404	854	351	3,609
Percent	56	17	7	80	11	6	3	20	67	23	10	100
Police protection:												
Officials/administrators	37	2	-	39	-	-	-	-	37	2	-	39
Professionals	6	-	3	9	2	-	1	3	8	-	4	12
Technicians	135	4	1	140	-	-	-	-	135	4	1	140
Protective service	401	80	42	523	4	1	-	5	405	81	42	528
Paraprofessionals	1	4	-	5	-	-	-	-	1	4	-	5
Office/clerical	37	4	1	42	69	17	10	96	106	21	11	138
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	3	8	12	23	-	-	-	-	3	8	12	23
Total	620	102	59	781	75	18	11	104	695	120	70	885
Percent (rounded)	70	11	7	88	9	2	1	12	78	14	8	100
Fire protection:												
Officials/administrators	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	-	-	-	-	-	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	561	51	10	622	-	-	-	-	561	51	10	622
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	8	-	-	8	8	-	-	8
Skilled craft	2	-	-	2	-	-	-	-	2	-	-	2
Service/maintenance	1	-	-	1	-	-	-	-	1	-	-	1
Total	564	51	10	625	8	-	-	8	572	51	10	633
Percent (rounded)	89	8	2	99	1	-	-	1	90	8	2	100
Natural resources:												
Officials/administrators	15	2	-	17	5	-	2	7	20	2	2	24
Professionals	47	17	4	68	49	19	2	70	96	36	6	138
Technicians	5	2	2	9	8	11	3	22	13	13	5	31
Protective service	25	5	2	32	1	-	-	1	26	5	2	33
Paraprofessionals	18	-	-	18	21	4	5	30	39	4	5	48
Office/clerical	1	1	-	2	37	22	21	80	38	23	21	82
Skilled craft	26	4	3	33	1	-	-	1	27	4	3	34
Service/maintenance	82	44	12	138	2	-	-	2	84	44	12	140
Total	219	75	23	317	124	56	33	213	343	131	56	530
Percent (rounded)	42	14	4	60	23	11	6	40	65	25	10	100
Utilities and transportation:												
Officials/administrators	16	1	-	17	-	-	-	-	16	1	-	17
Professionals	35	3	8	46	2	-	4	6	37	3	12	52
Technicians	23	2	11	36	1	-	1	2	24	2	12	38
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	1	-	-	1	-	-	-	-	1	-	-	1
Office/clerical	7	3	2	12	51	5	9	65	58	8	11	77
Skilled craft	28	2	4	34	-	-	-	-	28	2	4	34
Service/maintenance	51	62	17	130	-	6	-	6	51	68	17	136
Total	161	73	42	276	54	11	14	79	215	84	56	355
Percent (rounded)	45	21	12	78	15	3	4	22	60	24	16	100
Streets and highways:												
Officials/administrators	12	3	2	17	-	-	-	-	12	3	2	17
Professionals	37	3	12	52	2	-	-	2	39	3	12	54
Technicians	40	3	11	54	2	-	-	2	42	3	11	56
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	1	-	1	2	-	-	-	-	1	-	1	2
Office/clerical	6	-	1	7	22	7	1	30	28	7	2	37
Skilled craft	17	13	5	35	-	-	-	-	17	13	5	35
Service/maintenance	37	115	17	169	8	10	1	19	45	125	18	188
Total	150	137	49	336	34	17	2	53	184	154	51	389
Percent (rounded)	38	35	13	86	9	4	1	14	47	40	13	100
General services:												
Officials/administrators	24	14	1	39	-	1	-	1	24	15	1	40
Professionals	5	-	1	6	2	-	-	2	7	-	1	8
Technicians	5	-	1	6	-	-	-	-	5	-	1	6
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	5	4	2	11	14	10	3	27	19	14	5	38
Skilled craft	70	7	6	83	-	-	-	-	70	7	6	83
Service/maintenance	42	85	12	139	-	5	-	45	42	90	12	144
Total	151	110	23	284	16	16	3	35	167	126	26	319
Percent (rounded)	47	35	7	89	5	5	1	11	52	40	8	100

Function/ job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
Financial administration:												
Officials/administrators	11	1	4	16	1	2	-	3	12	3	4	19
Professionals	35	12	8	55	4	1	4	9	39	13	12	64
Technicians	2	-	4	6	6	3	4	13	8	3	8	19
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	2	1	1	4	4	-	1	5	6	1	2	9
Office/clerical	-	-	10	10	27	29	21	77	27	29	31	87
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	50	14	27	91	42	35	30	107	92	49	57	198
Percent (rounded)	25	7	14	46	21	18	15	54	46	25	29	100
All other functions:												
Officials/administrators	54	12	3	69	-	4	-	4	54	16	3	73
Professionals	14	5	4	23	5	27	5	37	19	32	9	60
Technicians	2	1	-	3	3	-	-	3	5	1	-	6
Protective service	32	12	3	47	-	8	-	8	32	20	3	55
Paraprofessionals	-	2	1	3	3	5	1	9	3	7	2	12
Office/clerical	1	2	2	5	12	30	5	47	13	32	7	52
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	10	31	1	42	-	-	-	-	10	31	1	42
Total	113	65	14	192	23	74	11	108	136	139	25	300
Percent (rounded)	38	21	5	64	8	25	3	36	45	46	9	100

GAO note: The jobs in this appendix were categorized by the city using Federal Equal Employment Opportunity Commission definitions.

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CITY GOVERNMENT NEW HIRES

OAKLAND, CALIFORNIA

YEAR ENDED JUNE 30, 1974

Function/ job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials/administrators	6	4	2	12	1	-	-	1	7	4	2	13
Professionals	13	7	9	29	11	8	4	23	24	15	13	52
Technicians	5	-	3	8	-	-	1	1	5	-	4	9
Protective service	30	51	12	93	-	1	1	2	30	52	13	95
Paraprofessionals	-	2	-	2	15	5	2	22	15	7	2	24
Office/clerical	1	5	-	6	23	20	9	52	24	25	9	58
Skilled craft	1	-	1	2	-	-	2	2	1	-	3	4
Service/maintenance	19	25	4	48	4	-	-	4	23	25	4	52
Total	75	94	31	200	54	34	19	107	129	128	50	307
Percent	24	31	10	65	18	11	6	35	42	42	16	100
Police protection:												
Officials/administrators	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	1	-	1	2	-	-	-	-	1	-	1	2
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	20	42	9	71	-	1	-	1	20	43	9	72
Paraprofessionals	-	-	-	-	12	5	1	18	12	5	1	18
Office/clerical	-	-	-	-	-	-	-	-	-	-	-	-
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	1	1	2	4	-	-	-	-	1	1	2	4
Total	22	43	12	77	12	6	1	19	34	49	13	96
Percent (rounded)	23	45	12	80	13	6	1	20	35	51	14	100
Fire protection:												
Officials/administrators	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	-	-	-	-	-	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	7	4	1	12	-	-	-	-	7	4	1	12
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	2	-	-	2	2	-	-	2
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	7	4	1	12	2	-	-	2	9	4	1	14
Percent (rounded)	50	29	7	86	14	-	-	14	64	29	7	100
Natural resources:												
Officials/administrators	1	-	-	1	1	-	-	1	2	-	-	2
Professionals	5	4	-	9	5	4	1	10	10	8	1	19
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Protective service	2	-	-	2	-	-	-	-	2	-	-	2
Paraprofessionals	-	1	-	1	3	-	-	3	3	1	-	4
Office/clerical	-	-	-	-	5	7	2	14	5	7	2	14
Skilled craft	-	-	-	-	-	-	2	2	-	-	2	2
Service maintenance	18	19	2	39	4	-	-	4	22	19	2	43
Total	27	24	2	53	18	11	5	34	45	35	7	87
Percent (rounded)	31	28	2	61	21	12	6	39	52	40	8	100
Utilities and transportation:												
Officials/administrators	1	-	-	1	-	-	-	-	1	-	-	1
Professionals	1	-	-	1	-	-	-	-	1	-	-	1
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	5	-	-	7	5	2	-	7
Skilled craft	1	-	1	2	-	-	-	-	1	-	1	2
Service/maintenance	-	3	3	-	-	-	-	-	-	3	-	3
Total	3	3	1	7	5	2	-	7	8	5	1	14
Percent (rounded)	21	22	7	50	36	14	-	50	57	36	7	100
Streets and highways:												
Officials/administrators	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	3	-	2	5	-	-	-	-	3	-	2	5
Technicians	3	-	3	6	-	-	-	-	3	-	3	6
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	1	-	1	-	-	-	-	-	1	-	1
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	6	1	5	12	-	-	-	-	6	1	5	12
Percent (rounded)	50	8	42	100	-	-	-	-	50	8	42	100
General services:												
Officials/administrators	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	-	-	-	-	-	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	-	-	-	-	-	-	-	-
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	2	-	2	-	-	-	-	-	2	-	2
Total	-	2	-	2	-	-	-	-	-	2	-	2
Percent (rounded)	-	100	-	100	-	-	-	-	-	100	-	100

BEST DOCUMENT AVAILABLE

	Male				Female				Total			
	white	Black	Other	Total	White	Black	Other	Total	white	Black	Other	Total
Financial administration:												
Officials/administrators	2	-	-	2	-	-	-	-	2	-	-	2
Professionals	3	3	6	12	3	-	-	3	6	3	6	15
Technicians	-	-	-	-	-	-	1	1	-	-	1	1
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	1	-	1	-	-	-	-	-	1	-	1
Office/clerical	1	4	-	5	9	6	5	20	10	10	5	25
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	6	8	6	20	12	6	6	24	18	14	12	44
Percent (rounded)	14	18	14	45	27	14	14	55	41	32	27	100
All other functions:												
Officials/administrators	2	4	2	8	-	-	-	-	2	4	2	8
Professionals	-	-	-	-	3	4	3	10	3	4	3	10
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Protective service	1	5	2	8	-	-	1	1	1	5	3	9
Paraprofessionals	-	-	-	-	-	-	1	1	-	-	1	1
Office/clerical	-	-	-	-	2	5	2	9	2	5	2	9
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	4	9	4	17	5	9	7	21	9	18	11	38
Percent (rounded)	11	24	11	45	13	24	18	55	24	47	29	100

GAO note: The jobs in this appendix were categorized by the city using Federal Equal Employment Opportunity Commission definitions.

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